

NORTHERN FUNDS

INCOME EQUITY FUND (NOIEX)

As of 12/31/18

FUND COMMENTARY

The S&P 500 Index dramatically reversed course in the fourth quarter, wiping out gains from a strong third quarter and pushing the Index into negative territory for the year. A confluence of several uncertainties weighed on investors' risk appetites. Despite some positive news surrounding the trade war between the U.S. and China, investors question whether a deal can be put in place by early March to avoid increasing tariffs. Further international concerns came from the U.K., where Brexit proceedings have called into question a smooth exit from the EU. Domestically, investors showed concern as the Federal Reserve continued its measured pace of raising interest rates, while signaling further rate increases in 2019. The yield curve continued to flatten in the quarter and oil prices significantly declined, giving investors reason to question the pace of global growth and a potential end of the economic cycle. Energy was the worst-performing sector, following the decline in oil prices. Information technology also underperformed as investors reassessed the high valuations in the sector. Utilities, real estate, and consumer staples sectors outperformed as investors flocked to more defensive stocks.

The Income Equity Fund posted a total return of -13.33% in the fourth quarter, compared with -13.52% for the Fund's benchmark, the S&P 500 Index. We generally invest in high-quality, income-producing stocks, which we believe will generate above-market returns over time. The allocation to higher-dividend-yielding securities added to performance, as these stocks outperformed the market. During the quarter, allocation to high-quality names had a negative effect on performance. Stock selection within the communication services and consumer discretionary sectors, along with an overweight to the utilities sector added to performance. Selection within the consumer staples and real estate sectors detracted from performance.

Looking ahead, we will continue to focus on identifying high-quality, dividend-paying companies. As monetary policy becomes less accommodative, we believe the importance of company fundamentals will stand out and the strategy will benefit accordingly. We will maintain our exposure to companies that exhibit prudent use of shareholder capital, focusing on total return. We believe the Fund is well positioned to provide an elevated level of income, generated from a diversified basket of stocks that offer opportunities to outperform over the long term.

Please carefully read the summary prospectus or prospectus and consider the investment objectives, risks, charges and expenses of Northern Funds before investing. Call 800-595-9111 to obtain a summary prospectus or prospectus, which contains this and other information about the funds.

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Performance as of 12/31/18				Annualized Returns					
FUND	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Gross Expense Ratio	Net Expense Ratio
Income Equity Fund	-13.33%	-6.41%	-6.41%	7.81%	6.58%	11.52%	8.34%	1.11%	1.01%
S&P 500 Index	-13.52%	-4.38%	-4.38%	9.26%	8.49%	13.12%	9.34%		

*Inception Date- 04/01/94

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than that shown here. Performance data current to the most recent month end is available by calling 800-595-9111.

The Gross and Net Expense Ratios are as of the most recent prospectus. The Net Expense Ratio includes contractual expense reimbursements that, if not extended, will end on July 31, 2019.

Not FDIC insured | May lose value | No bank guarantee

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

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